



**A STUDY ON THE DETERMINANTS OF MALAYSIAN
BANKS' PROFITABILITY**

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FACULTY OF BUSINESS MANAGEMENT

UNIVERSITI TEKNOLOGI MARA

BANDARAYA MELAKA

JUNE 2015

**AN ANALYSIS OF BANK-SPECIFIC AND
MACROECONOMICS DETERMINANTS OF BANKS'
PROFITABILITY IN MALAYSIA**

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**Submitted in Partial Fulfilment of the Requirement for the
Bachelor of Business Administration with Honours (Finance)**

**FACULTY OF BUSINESS MANAGEMENT
UNIVERSITI TEKNOLOGI MARA
MALACCA CITY CAMPUS**

JUNE 2015

DECLARATION OF ORIGINAL WORK



**BACHELOR OF BUSINESS ADMINISTRATION WITH HONOURS (FINANCE)
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UNIVERSITI TEKNOLOGI MARA
“DECLARATION OF ORIGINAL WORK”**

I, Sharifah Mastura Binti Syed Mohsin, (I/C Number: 900122145560)

Hereby, declare that:

- This work has not previously been accepted in substance for any degree, locally or overseas, and is not being concurrently submitted for this degree or any other degrees.
- This project paper is the result of my independent work and investigation, except where otherwise stated.
- All verbatim extracts have been distinguished by quotation marks and sources of my information have been specifically acknowledged.

Signature: _____

Date: _____

LETTER OF SUBMISSION

June 2015

The Head of Program
Bachelor of Business Administration (Hons) Finance
Faculty of Business Management
Universiti Teknologi Mara
Kampus Bandaraya Melaka, 110 Off Jalan Hang Tuah
75300 Melaka.

Dear Sir/ Madam,

SUBMISSION OF PROJECT PAPER

Attached is the project paper titled **“AN ANALYSIS OF BANK-SPECIFIC AND MACROECONOMICS DETERMINANTS OF BANKS’ PROFITABILITY IN MALAYSIA”** to fulfil the requirement as needed by the Faculty of Business Management, Universiti Teknologi MARA.

Thank you.

Yours sincerely,

SHARIFAH MASTURA BINTI SYED MOHSIN
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ABSTRACT

The aim of this study is to determine the pattern of bank characteristic (internal) and macroeconomic (external) determinants on the profitability of Malaysian banks. Internal determinants include bank size, capital adequacy ratio, liquidity, asset quality, and expenses management; while the external determinants comprise of gross domestic product (GDP), inflation, money supply, and competition. Secondary data was collected mostly from Bank Negara Malaysia (BNM) Catalogue which consists of both conventional and Islamic banks together in a single data set from year 2007 to 2013. The financial ratios technique was applied to calculate on these variables and Ordinary Least Square (OLS) method was used to run the regression model. The estimation result shows that liquidity is the only variable that is significant but negatively influences the banks' profitability. For future studies, it is recommended that more sample size and determinant factors can be included in determining the factor on bank profitability.